

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE EFFECTS OF THE FEDERAL TAX)
REFORM ACT OF 1986 ON THE RATES OF) CASE NO. 9803
SOUTH CENTRAL BELL TELEPHONE COMPANY)

O R D E R

IT IS ORDERED that South Central Bell Telephone Company ("SCB") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record, by no later than March 27, 1987. Include the names of the witnesses who will be responsible for responding to questions related to the information provided. If the information cannot be provided by this date SCB should submit a motion, for the Commission's consideration, requesting an extension of time. State the reason a delay is necessary and include a date by which the information will be filed.

1. In response to the Commission's Order of December 11, 1986, responding utilities have made numerous adjustments to reflect the effects on revenue requirements of increases and decreases in tax expense resulting from the 1986 Tax Reform Act. In order to allow every utility the same opportunity to address the numerous elements contained in the various filings the following list of issues is provided. The effects of Items (1), (2) and (3) shall be addressed by all utilities. The effects of Items (4) through (20) should be addressed by each utility as applicable.

For each item below, provide the dollar amount for each adjustment or, for items omitted, an explanation as to why the information is not being supplied. Include a detailed explanation and workpapers of how each amount was determined and a reconciliation of the sum of these adjustments to the total amount of revenue requirement affect included in the original application.

- (1) Federal tax rate change - 46 to 34 percent.
- (2) Amortization of excess deferred taxes.
 - (a) Depreciation related.
 - (b) Non-depreciation related.
- (3) Unbilled revenues.
- (4) Alternative minimum tax.
- (5) Kentucky income taxes.
- (6) Investment tax credits.
- (7) Capitalized overheads.
- (8) Capitalized interest.
- (9) Depreciation.
- (10) Vacation pay.
- (11) ESOP.
- (12) Pension expense.
- (13) Uncollectible accounts and bad debt reserve.
- (14) Provision for 80 percent of certain business expense deductions.
- (15) Contributions in aid of construction.
- (16) Customer advances for construction.
- (17) Super fund taxes.
- (18) PGAs.

(19) Cash flow.

(20) Payroll taxes.

2. Provide any comments you deem appropriate as to the procedure of adjusting rates effective July 1, 1987, to reflect the change in revenue requirements based on the lowering of the top corporate rate to 34 percent.

3. Provide the information in Items 1 and 2 without any non-tax adjustments to actual intrastate operating results for the 12 months ended October 31, 1986.

4. Prepare a rate design which applies the tax savings totally to local exchange access rates. SCB shall file tariff sheets, bearing no effective date, with rates reflecting the tax savings, and supporting documentation.

Done at Frankfort, Kentucky, this 13th day of March, 1987.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director